

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION)	
OF CHESAPEAKE UTILITIES)	
CORPORATION TO ESTABLISH A)	
VALUATION PROCESS AND PRICING)	PSC DOCKET NO. 16-0161
STRUCTURE FOR PROPANE COMMUNITY)	
GAS SYSTEM ACQUISITIONS)	
(FILED FEBRUARY 4, 2016))	

ORDER NO. 8965

AND NOW, this 18th day of October, 2016, the Delaware Public Service Commission (the "Commission") determines and orders the following:

WHEREAS, on February 4, 2016, Chesapeake Utilities Corporation ("Chesapeake" or "Company"), filed an application (the "Application") requesting Commission approval of the following items relating to the acquisition of a propane community gas system ("CGS") located within Chesapeake's Delaware Division territory and subsequent conversion of the CGS to regulated natural gas service: (1) a comprehensive and transparent CGS valuation process; (2) the proper accounting treatment to be used for ratemaking purposes; and (3) a natural gas pricing structure for CGS customers who convert to natural gas service. In its Application, Chesapeake stated that "[a]pproval of this Application will expedite conversions to natural gas service, reduce energy costs for consumers, and benefit the environment" (Application, ¶1); and

WHEREAS, Chesapeake notes that its Application is prompted by the requests of several homeowners' associations ("HOAs") whose communities desire to utilize CGSs for natural gas service from

Chesapeake and the uncertainties in evaluating such a request and whether the Commission will allow the Company to include the purchase price of the CGS in the Company's rate base in its next rate case. Chesapeake further notes in its Application that Commission approval of a comprehensive and transparent valuation process, accounting process and pricing structure for CGS acquisitions would remove these uncertainties, facilitate the Company's prompt evaluation of such requests, and enable the Company to move forward with the acquisition and conversion of these systems to natural gas services; and

WHEREAS, on March 15, 2016, the Delaware Division of the Public Advocate ("DPA") exercised its statutory right of intervention; and

WHEREAS, On March 17, 2016, the Company met with Commission Staff and the DPA to discuss the Application. Based on that discussion, Chesapeake filed a supplement to its Application on August 9, 2016, which provided an actual example of a completed CGS acquisition (the "Supplement");

**NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE
VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. The Commission has authority under 26 Del. C. §§ 102(3) 201, 301, and 302 to consider Chesapeake's Application.

2. Chesapeake shall provide public notice of the filing of its Application, the Supplement, and this Docket by publishing notice in the form attached as **Exhibit "A"** in two-column format, outlined in black, in the legal classified section of The News Journal, The Delaware State News, and The Cape Gazette newspapers as early as possible during the week of **October 24, 2016**. Chesapeake shall file with the Commission proof of such publication as soon as possible, but

no later than the commencement of the evidentiary hearings concerning this matter.

3. The Commission designates Senior Hearing Examiner Mark Lawrence as the hearing examiner for this Docket pursuant to the terms of 26 *Del. C.* § 502 and 29 *Del. C.* ch. 101 to schedule and conduct, upon due notice, such public comment sessions and evidentiary hearings as may be necessary to have a full and complete record concerning the justness and reasonableness of the Application's proposal. Thereafter, Senior Hearing Examiner Lawrence shall file with the Commission for its consideration his proposed order with his findings and recommendations. Pursuant to 29 *Del. C.* §10126(a), such proposed order must include (i) a brief summary of the evidence and recommended findings of fact based upon the evidence; (ii) recommended conclusions of law; and (iii) recommended decision and draft order.

4. Pursuant to 29 *Del. C.* ch. 101 and 26 *Del. Admin. C.* §1001-2.9, Senior Hearing Examiner Lawrence is specifically delegated the authority to grant or deny petitions seeking leave to intervene and for admission of counsel *pro hac vice*. In addition, Senior Hearing Examiner Lawrence is delegated the authority, under 26 *Del. C.* §102(A), to determine the form and manner of any further public notice in this matter.

5. The deadline for filing petitions to intervene pursuant to 26 *Del. Admin. C.* §1001-2.9 shall be **Friday, November 18, 2016**. Late-filed petitions to intervene will not be granted unless good cause is shown.

6. Chesapeake is hereby placed on notice that the costs incurred by the Commission Staff and by the Division of the Public Advocate in this proceeding will be charged to it under the provisions of 26 Del. C. §114(b)(1).

7. The Commission reserves the jurisdiction and authority to enter such further orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chair

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary

EXHIBIT "A"

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(FILED FEBRUARY 4, 2016))

**PUBLIC NOTICE OF CHESAPEAKE UTILITIES CORPORATION'S APPLICATION
REQUESTING THE ESTABLISHMENT OF A VALUATION AND PRICING PROCESS FOR
PROPANE COMMUNITY GAS SYSTEM ACQUISITIONS**

**TO: ALL CUSTOMERS OF CHESAPEAKE UTILITIES CORPORATION AND OTHER
INTERESTED PARTIES:**

On February 4, 2016, Chesapeake Utilities Corporation ("Chesapeake" or "Company"), filed an application (the "Application") requesting Commission approval of the following items relating to the acquisition of a propane community gas system ("CGS") located within Chesapeake's Delaware Division territory and subsequent conversion of the CGS to regulated natural gas service: (1) a comprehensive and transparent CGS valuation process; (2) the proper accounting treatment to be used for ratemaking purposes; and (3) a natural gas pricing structure for CGS customers who convert to natural gas service. Chesapeake notes that its Application is prompted by the requests of several homeowners' associations ("HOAs") whose communities desire to utilize CGSs for natural gas service from Chesapeake and the uncertainties in evaluating such a request and whether the Commission will allow the Company to include the purchase price of the CGS in the

Company's rate base in its next rate case. Chesapeake further notes in its Application that Commission approval of a comprehensive and transparent valuation process, accounting process and pricing structure for CGS acquisitions would remove these uncertainties, facilitate the Company's prompt evaluation of such requests, and enable the Company to move forward with the acquisition and conversion of these systems to natural gas services. On August 9, 2016, Chesapeake filed a supplement to its Application, which provided an actual example of a completed CGS acquisition.

On October 18, 2016, in Order No. 8965, the Commission, pursuant to its authority under 26 Del. C. § 102(3), 201, 301, and 302, opened Docket No. 16-0161 to consider Chesapeake's Application.

The Commission will make its decision on this matter on the basis of the record evidence taken at the public evidentiary hearings. The Commission may approve or reject, in whole or in part, the proposal in Chesapeake's Application.

You are invited to review Chesapeake's Application and supporting documents to determine how your interests may be affected by going to DelaFile (<http://delafile.delaware.gov>), the Commission's docketing and file management system, and by searching for Docket No. 16-0161.

If you wish to formally participate as a party in this matter, with the right to present evidence and be represented by counsel, you must file with the Commission a petition asking for leave to intervene in accordance with the requirements of the Commission's Rules of Practice and Procedure (26 Del. Admin. C. §1001-2.9) **on or before Friday, November 18, 2016**. All such petitions should be filed in

DelaFile according to the Commission's Rules (26 *Del. Admin. C.* §1001-1.6.4). Petitions filed after the deadline of November 18, 2016, will not be considered except for good cause shown.

If you would like to review documents at the Commission's offices, please contact Donna Nickerson at (302) 736-7500 or by sending an email addressed to donna.nickerson@state.de.us. You may also review copies of Chesapeake's application and supporting documents at the office of the Division of the Public Advocate located at either 820 North French Street, 4th Floor, Wilmington, Delaware 19801 or 29 South State Street, Dover, Delaware 19901. Please call either (302) 577-5077 or (302) 241-2555 to arrange for a time to review the documents at either of those locations.

If you wish to request copies of documents in this matter, please submit a Freedom of Information Act Request Form. The link to this form can be found on the Commission's website, <http://depsec.delaware.gov>, or by visiting this web address: <https://delafile.delaware.gov/Complaints/FOIA.aspx>. The Commission will respond to your request in accordance with the Delaware Freedom of Information Act, 29 *Del. C. ch.* 100.

If you have a disability and wish to participate or to review the materials in this matter, please contact the Commission to discuss any auxiliary aids or services you might need to help you. You may contact the Commission in person, by writing, by telephone (including text telephone), by Internet e-mail, or other means.

If you have questions about this matter, you may call the Commission at 1-800-282-8574 (toll-free in Delaware) or (302) 736-7500

(voice and text telephone). You may also send questions regarding this matter by Internet e-mail addressed to jason.r.smith@state.de.us, Attn: Docket No. 16-0161.